

NEW APPLICATION



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AZ CORP COMMISSION
DOCUMENT CONTROL

W-01445A-05-0700
WS-01775A-05-0700

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE JOINT
APPLICATION OF: (1) FRANCISCO
GRANDE UTILITY COMPANY, AN
ARIZONA CORPORATION, TO
TRANSFER A PORTION OF ITS
EXISTING CERTIFICATE OF
CONVENIENCE AND NECESSITY TO
ARIZONA WATER COMPANY, AN
ARIZONA CORPORATION; (2) ARIZONA
WATER COMPANY, AN ARIZONA
CORPORATION, TO INCLUDE
CERTIFICATED AREA TO BE
TRANSFERRED BY FRANCISCO
GRANDE UTILITY COMPANY IN
ARIZONA WATER COMPANY'S CASA
GRANDE CERTIFICATE OF
CONVENIENCE AND NECESSITY

DOCKET NO. W-01445A-05-

JOINT APPLICATION TO: (1)
TRANSFER A PORTION OF EXISTING
CERTIFICATE OF CONVENIENCE AND
NECESSITY (2) INCLUDE ADDITIONAL
TERRITORY TO BE TRANSFERRED IN
ARIZONA WATER COMPANY'S CASA
GRANDE CERTIFICATE OF
CONVENIENCE AND NECESSITY

ARIZONA WATER COMPANY, an Arizona corporation, ("AWC"), and
FRANCISCO GRANDE UTILITY COMPANY ("Francisco Grande") present the following
Application for Francisco Grande to transfer a portion of its existing Certificate of
Convenience and Necessity ("CC&N") to AWC and for AWC to include the same area in
its Casa Grande CC&N. This Application is based on the following:

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1 1. AWC presently holds CC&Ns issued to it by the Arizona Corporation
2 Commission (the "Commission") in various decisions beginning in 1955 for the purpose
3 of providing water service in the City of Casa Grande and the surrounding area in Pinal
4 County.

5 2. Francisco Grande is a corporation duly organized and existing under and
6 by virtue of the laws of the State of Arizona and is authorized to engage in and holds a
7 CC&N for the purpose of engaging in a water utility business located in the vicinity of
8 Casa Grande, Pinal County, Arizona.

9 3. AWC and Francisco Grande have entered into an agreement titled "Water
10 System Agreement" that provides, subject to the approval of the Commission, for
11 Francisco Grande to transfer part of its CC&N to AWC, and for AWC to include the
12 same area in its Casa Grande CC&N, and for AWC to provide water service to future
13 customers therein. Exhibit 1 hereto is a copy of the Water System Agreement that
14 contains, among its provisions, the terms and conditions for the transfer of the CC&N
15 area, and the terms and conditions under which AWC will provide water service to such
16 CC&N area. Part of Francisco Grande's CC&N to be transferred to AWC pursuant to
17 the Water System Agreement was already transferred and approved by Commission
18 Decision No. 62283, dated February 1, 2000. This Application seeks Commission
19 approval for the remaining portion of Francisco Grande's CC&N to be transferred to
20 AWC under the Water System Agreement pursuant to A.R.S. 40-285 and for an
21 additional adjacent quarter section to be transferred to AWC.

22 4. The area that Francisco Grande seeks to transfer to AWC and that AWC
23 seeks to add to its CC&N is described in Exhibit 2 hereto. The area surrounding or
24 adjacent to the area described in Exhibit 2 is already certificated to and served by AWC
25 as shown in Exhibit 4 hereto.

26 BCY, Ltd. and Cache Investments, LLC, owners of the area described in
27 Exhibit 2 have requested AWC to provide water service to their property and apply to

1 the Commission for authority to include its property within AWC's CC&N. A copy of a
2 letter from BCY, Ltd. and Cache Investments, LLC is attached as Exhibit 3 hereto.
3 AWC presently owns and operates water system facilities within and in the vicinity of the
4 area described in Exhibit 2. Those water system facilities are used to serve existing
5 customers, and will be used to provide service to future customers.

6 5. AWC estimates the total number of customers to be served in the area
7 described in Exhibit 2 will be approximately fifty (50) within five years following the date
8 of the filing of this Application.

9 6. Francisco Grande represents that there are no Advances for Construction or
10 Contributions in Aid of Construction for customer service lines or main extensions
11 associated with the area to be transferred to AWC.

12 7. A map showing AWC's present CC&N and the territory to be added by this
13 Application is attached as Exhibit 4 hereto.

14 8. A list of the owners of all of the properties described in Exhibit 2 is
15 attached as Exhibit 5 hereto. Each property owner will be mailed the public notice
16 attached as Exhibit 6 hereto.

17 9. AWC is financially able to construct, operate, and maintain the facilities
18 necessary to provide service to the area described in Exhibit 2. AWC's current financial
19 statement is attached as Exhibit 7 hereto.

20 10. The area described in Exhibit 2 is located within unincorporated areas of
21 Pinal County for which AWC has a Pinal County Franchise, a copy of which is attached
22 as Exhibit 8 hereto.

23 11. Francisco Grande's By-Laws and AWC's By-Laws do not require a
24 corporate resolution on behalf of Francisco Grande or AWC in conjunction with this
25 Application.

26 12. Public convenience and necessity will be served by including the area
27 described in Exhibit 2 in AWC's CC&N.

1 13. AWC proposes to utilize its currently authorized rates and charges for its
2 Casa Grande system for service to the area described in Exhibit 2. AWC will continue
3 to charge these rates until the Commission changes the rates.

4 WHEREFORE, AWC and Francisco Grande respectfully request that the
5 Commission hold a hearing on this Application, and enter an order, or, in the alternative,
6 that it enter an order without the necessity of a hearing, which order shall provide for the
7 following:

8 1. Authorizing Francisco Grande to transfer the portion of its CC&N
9 described in Exhibit 2 to AWC and authorizing AWC to provide water service therein
10 pursuant to AWC's presently authorized rates and charges for its Casa Grande water
11 system.

12 2. Issuing to AWC a Certificate of Convenience and Necessity for the area
13 described in Exhibit 2 hereto.

14 3. Relieving Francisco Grande of its obligations as a public service
15 corporation in the portion of its CC&N to be transferred to AWC.

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1 4. Granting such other further and general relief as appropriate in the
2 premises.

3 RESPECTFULLY SUBMITTED this 4th day of October 2005.

4
5 ARIZONA WATER COMPANY

6
7 By: Robert W. Geake

8 Robert W. Geake
9 Vice President and General Counsel
10 ARIZONA WATER COMPANY
11 Post Office Box 29006
12 Phoenix, Arizona 85038-9006

13
14 FRANCISCO GRANDE UTILITY COMPANY

15 By: Michael Saunders

16 Michael Saunders
17 President

18 Original and thirteen (13) copies of the foregoing filed
19 this 4th day of October 2005 with:

20 Docket Control Division
21 Arizona Corporation Commission
22 1200 West Washington Street
23 Phoenix, Arizona 85007

1 A copy of the foregoing was mailed this 4th day of October 2005 to:

2 Christopher Kempley, Chief Counsel
3 Legal Division
4 Arizona Corporation Commission
5 1200 West Washington Street
6 Phoenix, Arizona 85007

7 Ernest G. Johnson
8 Director, Utilities Division
9 Arizona Corporation Commission
10 1200 West Washington Street
11 Phoenix, Arizona 85007

12 By: Robert W. Seake
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ORIGINAL

EXHIBIT 1

COPY

WATER SYSTEM AGREEMENT

THIS AGREEMENT is made and entered into this 2nd day of June 1999 by and among ARIZONA WATER COMPANY, an Arizona corporation, (the "Company"), MICHAEL SAUNDERS, a sole proprietor ("Developer"), and FRANCISCO GRANDE UTILITY COMPANY, an Arizona corporation ("Francisco Grande").

RECITALS

A., Developer is planning a mixed-use residential and commercial development surrounding the existing Francisco Grande resort hotel, restaurant and golf course to be known as the Francisco Grande Master Planned Community (the "Development") to be located in Section 20, Township 6 South, Range 5 East, Gila and Salt River Base and Meridian, Pinal County, Arizona, generally westerly from and in the vicinity of the City of Casa Grande, Arizona, as shown on the map in Attachment "A-1" hereto, and more particularly described in Attachment "A-2" hereto, and which Attachments "A-1" and "A-2" are by this reference incorporated herein. Developer represents that it will provide the Company with sufficient documentary evidence showing that it either owns all of the real property in such Section 20 in fee or holds the lawful right to represent and bind the fee owner to the extent contemplated by this Agreement.

B. Developer has requested that the Company make available and provide, and the Company is desirous of making available and providing, water service to the Development, and to future development within Sections 30 and 31 of said Township 6 South, including, but not limited to, domestic, irrigation, reclaimed water, public fire hydrant service and private fire service (hereinafter collectively referred to as "Water Service").

C. Developer acknowledges that Water Service can be provided to the Development by Company only in accordance with this Agreement, the Company's tariffs on file with the Arizona Corporation Commission (the "Commission"), and the rules, regulations and orders of any other governmental agency having jurisdiction in the premises.

D. The Company and Developer agree that to provide water service to the first 350 lots of the Development, it will be necessary to extend a water main from the Company's closest existing main of adequate size and pressure to the closest compatible location in the Development. The Company and the Developer agree that the cost of the main will be advanced by the Development under the applicable provision of A.A.C. R14-2-406 and Section V of the Company's Terms and Conditions for the Provision of Water Service which may be amended from time to time (hereinafter referred to as the "Main Extension Rule").

E. Developer understands that, in order for the Company to provide Water Service to the Development, it will be necessary for Developer to make arrangements with the Company for the design, construction and installation of certain water system infrastructure facilities consisting of off-site water transmission and distribution mains and appurtenances required by the Company to provide Water Service to the Development (which facilities are collectively

referred to herein as "Infrastructure Facilities"), as listed in Attachment "B" hereto, which by this reference is incorporated herein. Developer further understands that the Infrastructure Facilities are to be constructed or installed either by the Company or at its direction.

F. Sections 20, 30 and 31 of said Township 6 South are located within Francisco Grande's Certificate of Convenience and Necessity issued by the Commission, and as shown in Attachment "C-1" hereto and more particularly described in Attachment "C-2" hereto, which by this reference is incorporated herein. The Company and Francisco Grande are willing and able to make the appropriate filings with the Commission to have the Development and Sections 30 and 31 of said Township 6 South deleted from Francisco Grande's Certificate of Convenience and Necessity and added to the Company's Certificate of Convenience and Necessity.

G. Subject to the terms and conditions of this Agreement, the Company is willing and able to provide Water Service to the Development in accordance with the Company's tariffs on file with the Commission, and the rules, regulations and orders of the Commission, and subject to any approval of the Commission which may be required.

In consideration of the premises and mutual agreements, covenants, promises, representations and understandings contained in this Agreement and other good and valuable consideration, the parties hereto have entered into the following Agreement.

1. **WATER SERVICE; INFRASTRUCTURE FACILITIES.** The Company and Developer agree that, subject to the conditions of Paragraph 8 of this Agreement, Company will provide Water Service to the Development, and Infrastructure Facilities will be constructed and installed in accordance with this Agreement, the Company's tariffs on file with the Commission, and the rules, regulations and orders of the Commission and any other governmental agency having jurisdiction in the premises.

2. **MAIN EXTENSION CONTRACT FOR INFRASTRUCTURE FACILITIES.** In the event a water line of sufficient size has not been extended down State Highway 84 past the Development before Developer requests water service as described below, the Company and Developer further agree that, to provide Water Service to the Development and maintain water system capacity for the Company's existing and future customers in the general area of the Development, Developer will be required to enter into a main extension contract with the Company for construction and installation of Infrastructure Facilities that previously have not been constructed and installed. The applicable provisions of the Main Extension Rule shall apply to the extent not in conflict with this Agreement or any main extension contract executed by the Company and Developer with respect to the Infrastructure Facilities. Such Infrastructure Facilities must be constructed and installed following Developer's request for water service to serve lots in addition to the first 350 lots in the Development and no lots in addition to the first 350 lots will be served until the construction and installation of Infrastructure Facilities are completed.

3. **THE COMPANY'S COST ESTIMATE: DEPOSIT.** Prior to entering into any main extension contract for Infrastructure Facilities, Developer will deposit with the Company the amount of the Company's estimated cost of construction and installation of such Infrastructure

Facilities including, but not limited to, engineering overheads, and related costs pursuant to the Main Extension Rule. All Infrastructure Facilities shall be designed and constructed in accordance with the Company's design standards and specifications. Plans for the design of the Infrastructure Facilities shall be prepared by Developer and shall be subject to the Company's prior written approval. Any amount so deposited for the Infrastructure Facilities shall be adjusted to actual cost after installation of the Infrastructure Facilities is completed and all costs are known. If the amount of the deposit is less than the Company's actual costs, Developer will pay the difference upon presentation of an invoice therefor. If the amount of the deposit exceeds the Company's actual costs, the Company shall refund the difference to Developer within sixty (60) days after the Company's actual costs have been determined.

4. **EXCLUSIVE WATER SERVICE.** It is expressly agreed and understood that the Company shall be the sole purveyor of all Water Service to the Development. However, the parties specifically agree that, at the option of the Developer and Francisco Grande, irrigation water and effluent may be provided to the golf course landscaping and golf course facilities located within the Development by the Developer or Francisco Grande and any treated or untreated CAP water must be provided by the Company.

5. **ADDITIONAL MAIN EXTENSION CONTRACTS.** The Company will enter into main extension contracts with Developer or others in accordance with the Main Extension Rule for the purpose of providing water main extensions in addition to those described in this Agreement as actual development occurs in the Development. The Company will enter into such additional main extension contracts provided all Infrastructure Facilities required by the Company have been constructed and installed or are being constructed and installed in accordance with this Agreement.

6. **EASEMENTS AND REAL PROPERTY PARCELS.** Developer shall grant or cause to be granted to the Company, upon the Company's request, all easements the Company requires as part of the Infrastructure Facilities, on forms supplied by the Company, as well as easements for ingress and egress purposes. The value of such easements shall not be subject to refund.

7. **TITLE TO FACILITIES; GOVERNMENTAL AUTHORIZATIONS.** Title to all facilities constructed and installed under this Agreement shall be vested in the Company, which shall own and maintain such facilities. Developer agrees to execute any and all documents, in a form acceptable to the Company evidencing, where Company deems necessary, any transfer of title to the Company, free and clear of liens, encumbrances, claims, assessments, and any other item not acceptable to the Company. Developer agrees to assist the Company in obtaining any and all permits, licenses, franchises, or other governmental authorizations that may be required for the construction and installation of Infrastructure Facilities.

8. **CORPORATION COMMISSION APPLICATION.** Promptly following the execution of this Agreement by the parties hereto, the Company and Francisco Grande will make an appropriate joint application with the Commission for approval of this Agreement and for the purpose of securing authority to allow the Company to expand its certificated area to include the portions of Francisco Grande's certificated area shown in Attachment "C-1" hereto, and to have

such portions of the certificated area deleted from Francisco Grande's Certificate of Convenience and Necessity. The Company may also make such other filings as it otherwise deems necessary to serve the Development. Developer will fully cooperate with and support the application or other filings. The Company's obligations under this Agreement are, at the Company's option, subject to its receipt of an acceptable order or orders of the Commission transferring such portions of the certificated area to the Company and authorizing it to serve the Development, which does not impose terms, conditions, or duties upon the Company which the Company considers unduly burdensome or unreasonable. For the purpose of this paragraph, a "final order" shall be understood to mean an order concerning which all appeal periods have expired or in the event of an appeal then upon the entry of the final order, judgment or decision of the Commission or the courts, as the case may be. The parties agree that if the Commission does not allow the Company to expand its certificated area to include the Development, and to have the Development deleted from Francisco Grande's Certificate of Convenience & Necessity, this Agreement shall be deemed null and void and the parties shall have no further obligations under this Agreement.

9. REMEDIES. If Developer fails to perform any monetary obligation under this Agreement or under the provisions of any main extension contract Developer enters into pursuant to this Agreement, the Company, in addition to and without waiving the exercise of any rights and remedies it may have, shall have the right to offset any refund provided in any such main extension contract. Also, the Company shall have the right to offset against any refund due pursuant to such main extension contract the amount, either in part or in full, of any indebtedness due or owing by Developer to the Company.

10. INDEMNITY. Developer agrees to indemnify the Company and hold it harmless from and against any and all liability for the death of, or injury to, any person or for the loss of, or damage to, any property including, without limitation, the Infrastructure Facilities, which may arise in connection with the development of the Development or by reason of acts done or omitted to be done in the design and installation of the Infrastructure Facilities or the performance of any work by Developer or Developer's employees, agents, representatives, contractors, or subcontractors, or which may result from such design and installation, or work, and Developer further agrees to reimburse the Company upon demand for all costs and expenses which the Company may incur in resisting or defending any claim which may be made against the Company for any such death, injury, loss, or damage to any person or property, save and except in those instances where such death, injury, loss, or damage is caused solely by the willful act or negligence of the Company. Developer expressly agrees that the agreements contained in this section shall survive the performance of this Agreement or any Agreement for Extension of Water Facilities entered into pursuant to this Agreement and shall remain in full force and effect notwithstanding such performance.

11. INSURANCE.

A. Developer agrees that during the period beginning with the date of this Agreement, continuing for the duration of construction of the Infrastructure Facilities, and terminating not earlier than twelve months following final acceptance of the same by the

Company, the following insurance will be maintained in full force and effect by Developer without cost or expense to the Company:

(1) Comprehensive general liability insurance, including bodily injury liability insurance, with limits of not less than One Million Dollars (\$1,000,000) per person and Two Million Dollars (\$2,000,000) per occurrence; and property damage insurance with a limit of not less than One Million Dollars (\$1,000,000) per occurrence; insuring the Company against any and all claims and liability including, without limitation, claims and liability for the death of or injury to any person or for the loss of or damage to any property, which may arise in connection with the Development or by reason of acts done or omitted to be done in the design and installation of the Infrastructure Facilities or which may result from such design and installation, and further insuring the Company against all costs and expenses incurred by the Company in resisting any claim that may be made against the Company for any such liability, injury, or damage to any person or property.

(2) Comprehensive automobile liability insurance with limits of not less than One Million Dollars (\$1,000,000) per person and Two Million Dollars (\$2,000,000) per occurrence; and property damage insurance with a limit of not less than One Million Dollars (\$1,000,000) per occurrence; such insurance shall protect Developer and the Company against all claims for injuries to persons and damage to property of others arising from the use of motor vehicles, and shall cover operation on or off the site of all motor vehicles, whether they are owned, non-owned, or hired.

(3) Builder's Risk insurance of the "all risks" type, which shall be written in completed value form, and shall protect Developer and the Company against risks of damage to the Infrastructure Facilities including, without limitation, buildings, structures, and materials and equipment. The amount of such insurance shall be not less than the insurable value of the Infrastructure Facilities at completion. Builder's Risk insurance shall provide for losses to be payable to the Company. The policy shall contain a provision that, in the event of payment for any loss under the coverage provided, the insurance company shall have no rights of recovery against Developer and the Company. The Builder's Risk policy shall insure against all risk of physical loss or damage to property from any external cause including flood and earthquake.

(4) Workers' Compensation and Employers' Liability insurance in accordance with statutory requirements and an endorsement thereto shall be written providing that the underwriter thereof waives all right of subrogation against the Company by reason of any claim arising directly or indirectly from any work on or associated with the Development.

B. Each such policy shall: (1) be issued by an insurance company approved in writing by the Company, which is qualified to do, and is doing, business in the State of Arizona; (2) name the Company as an additional insured; (3) specify that it acts as primary insurance and that no insurance obtained by the Company shall be called upon to cover a loss under the policy so procured or caused to be procured by Developer; (4) provide that the policy shall not be canceled or altered without thirty (30) days' prior written notice to the Company; and (5) otherwise be in form satisfactory to the Company. Each such policy or a certificate thereof shall be delivered to the Company concurrently with the execution of this Agreement.

12. **ASSURED WATER SUPPLY.** As of the date of this Agreement, the Company's Casa Grande water system has not been designated as having an Assured Water Supply by the Arizona Department of Water Resources (the "ADWR"). As such, the Developer will be required to apply to the ADWR for a Certificate of Assured Water Supply for each subdivision within the Development. While obtaining a Certificate of Assured Water Supply for the Development shall be the sole responsibility of Developer, the Company shall cooperate with Developer in supplying necessary information to the ADWR.

13. **TIME IS OF THE ESSENCE.** The Company and Developer agree that time is of the essence and that each will diligently perform its obligations hereunder in a timely fashion in accordance with the provisions of this Agreement.

14. **CHANGES OR MODIFICATIONS.** The parties hereto may change or modify this Agreement only upon written consent of the parties hereto.

15. **NOTICE PROVISIONS.** Written notices to any party to this Agreement concerning this Agreement shall be sent by certified mail or hand delivered (except that invoices and other similar communications may be sent by first class mail) addressed as follows:

To the Company: Arizona Water Company
Attention: President
3805 North Black Canyon Highway
Post Office Box 29006
Phoenix, Arizona 85038-9006

To Developer: Michael Saunders
Michael Saunders & Company
1801 Main Street
Sarasota, FL 34236

To Francisco Grande: Francisco Grande Utility Company
Attention: Michael Saunders
1801 Main Street
Sarasota, FL 34236

16. **SUCCESSION.** This Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties.

17. **COMPLETE AGREEMENT.** Except for the main extension contracts referred to in paragraphs 2 and 5 of this Agreement, this instrument contains the entire agreement between the parties with respect to the subject matter contained herein and no amendment or modification shall be binding unless made in the manner provided for in writing and signed by duly authorized representatives of the parties hereto.

18. HEADINGS. Headings on each paragraph or subparagraph are merely for convenience and shall under no circumstances be used to interpret or construe this Agreement.

19. ATTORNEY'S FEES. In the event any claim, controversy, or legal action arises out of this Agreement, the prevailing party shall be entitled to recover from the other party in such action all costs, expenses and fees incurred therein by said prevailing party (including such attorney's fees as shall be fixed by the court).

20. FURTHER INSTRUMENTS. Company, Developer and Francisco Grande agree that they each shall execute any further instruments and perform any further acts which are or may become reasonably necessary to carry out the terms of this Agreement.

21. COMMISSION. Nothing contained herein shall be construed as limiting in any manner (a) the Company's right to cancel, amend, or file additional tariffs in accordance with the Commission's rules, regulations and orders; or (b) the Commission's authority or jurisdiction over the subject matter of this Agreement.

22. WAIVER. No waiver hereunder, expressed or implied, shall imply any other waiver, at the same or subsequent time, whether of the same obligation or of any other obligation. No waiver hereunder shall be deemed effective unless expressly set forth in writing.

23. CONFLICTS. If any conflict arises between the provisions of this Agreement and the Company's tariffs on file with the Commission and the rules and regulations of the Commission, the provisions of this Agreement will prevail.

IN WITNESS WHEREOF, each of the parties hereto has caused this instrument to be executed by their respective officers theretofore duly authorized as of the date first written above.

ARIZONA WATER COMPANY.
an Arizona corporation,

By 

Its 

MICHAEL SAUNDERS.
a Sole Proprietor

FRANCISCO GRANDE UTILITY COMPANY.
an Arizona corporation

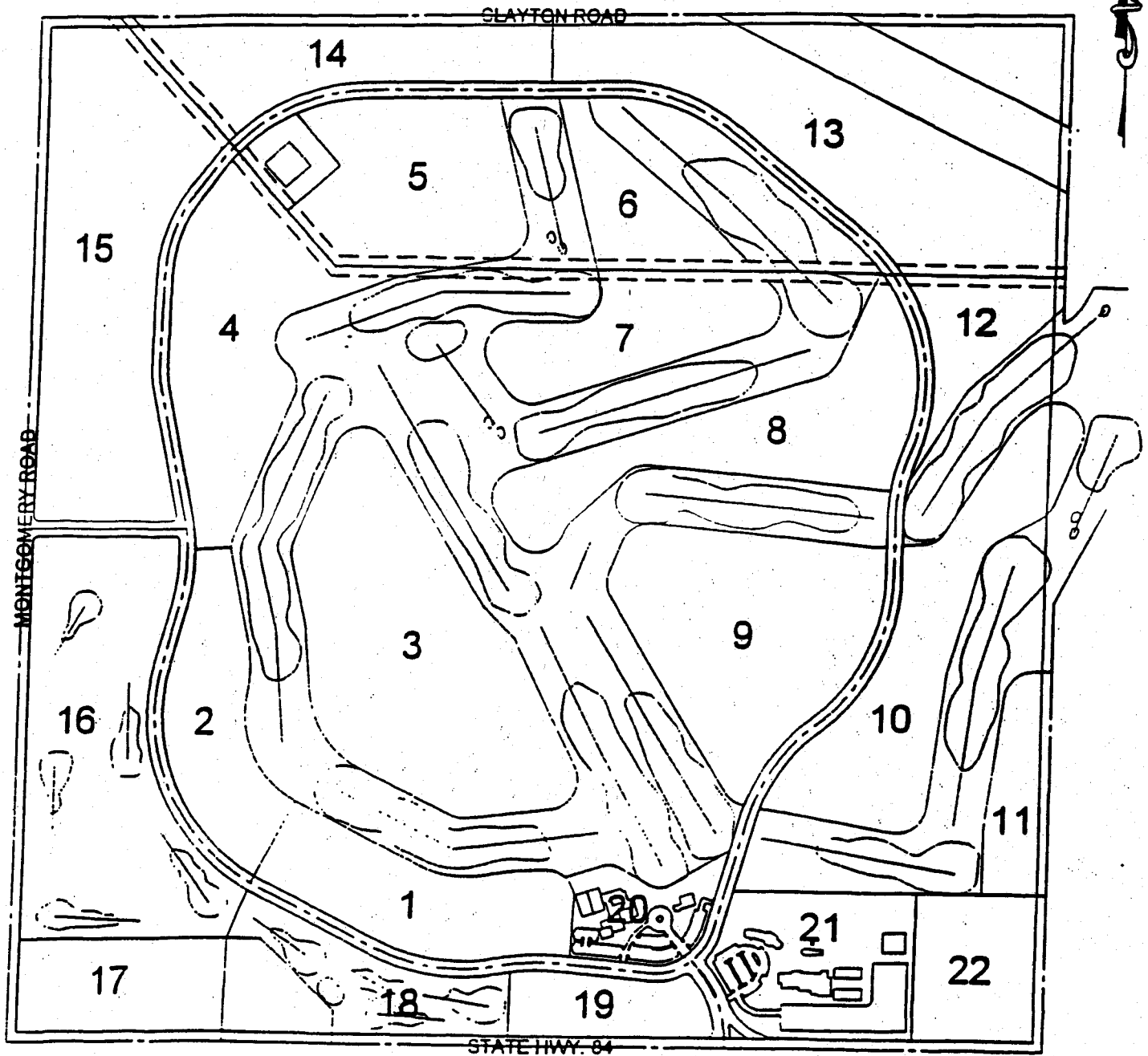
By 

Its _____

By 

Its 

ATTACHMENT "A-1"



ARIZONA WATER COMPANY

DESCRIPTION:

PROPOSED FRANCISCO GRANDE DEVELOPMENT PLAN

LOCATION:

SEC.20-T.6 S..R.5 E.

DATE:

SCALE:

DRAWN BY:

ATTACHMENT "A-2"

Section 20, Township 6 South, Range 5 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

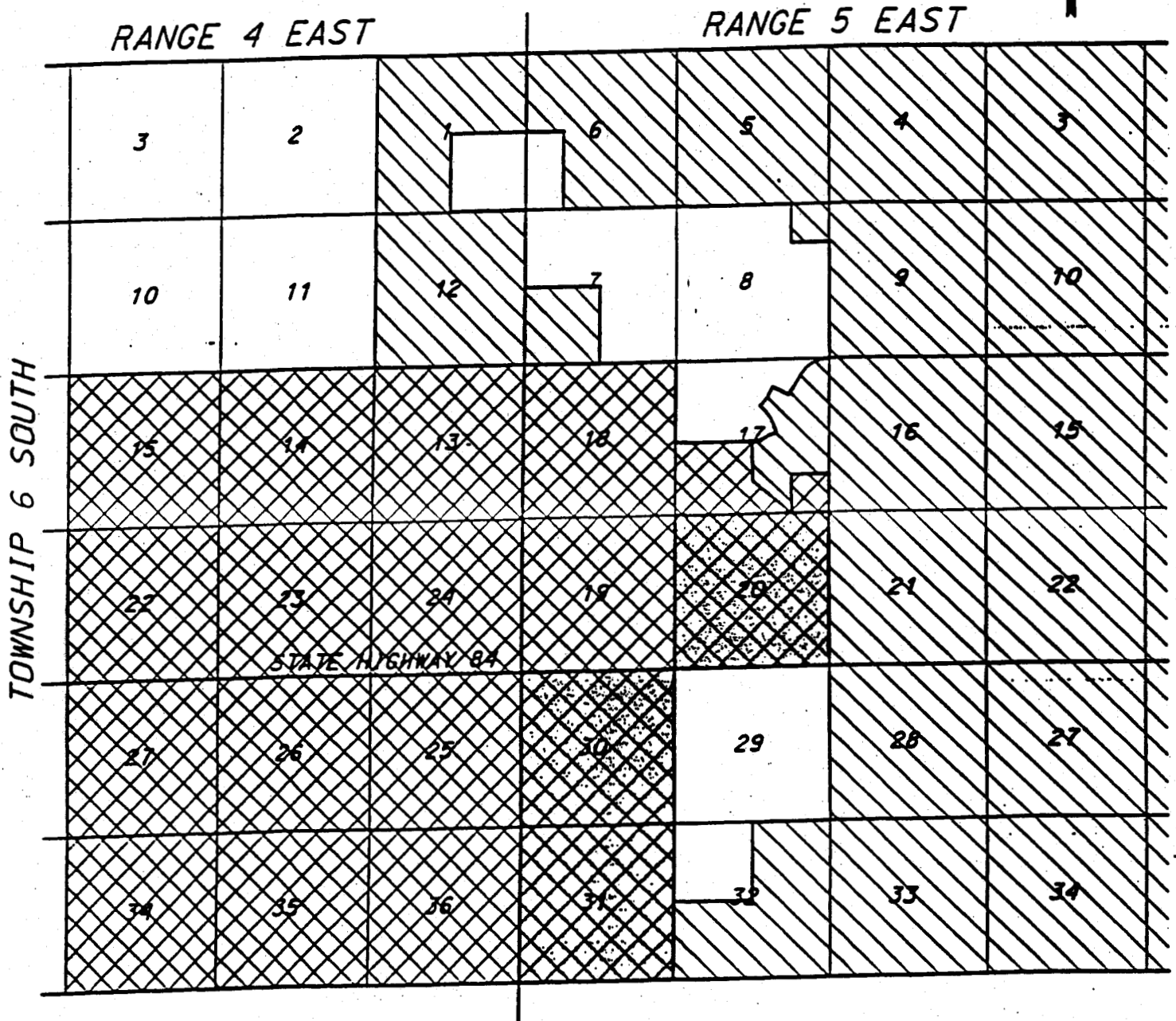
ATTACHMENT "B"

Infrastructure Facilities:

Three and one half miles of 16-inch ductile iron pipe installed along State Hwy.84 from Company's Casa Grande system to the Development.

EXHIBIT "B"

ATTACHMENT "C-1"



LEGAL DESCRIPTION:

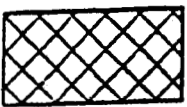
SECTION 20, SECTION 30, AND SECTION 31, ALL IN TOWNSHIP 6 SOUTH, RANGE 5 EAST OF THE GILA & SALT RIVER BASE & MERIDIAN, PINAL COUNTY, ARIZONA



EXISTING ARIZONA WATER Co.
C.C. & N.



EXISTING FRANCISCO GRANDE
UTILITY Co. C.C. & N.



PROPOSED C.C. & N. TRANSFER
FROM FRANCISCO GRANDE UTILITY Co.
TO ARIZONA WATER Co.

ARIZONA WATER COMPANY

DESCRIPTION:

PROPOSED C.C. & N. TRANSFER FROM FRANCISCO
GRANDE UTILITY Co. TO ARIZONA WATER Co.

LOCATION:

SEC. 20 & SEC. 30 - T. 6 S., R. 5 E.

EXHIBIT 2

CC&N This Application

The Northeast quarter of Section 36, Township 6 South, Range 4 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona; And:

The Southeast Quarter of Section 30 and all of Section 31, Township 6 South, Range 5 East of the Gila and Salt River Base and Meridian, Pinal County, Arizona.

Exhibit 3



KENNETH M. FRAKES
7272 E. Indian School Road Suite 360
Scottsdale, AZ 85251
Phone 480.505.3931 Fax 480.505.3925
kfrakes@roslawgroup.com
www.roslawgroup.com

August 23, 2005

Arizona Water Company
3805 N. Black Canyon Hwy
Phoenix, AZ 85015

RE: Request for Service: Casa Kali Development

Dear Sir:

This law firm represents BCY, Ltd., and Cache Investments, LLC ("Owners"), who own approximately 949 acres located in Pinal County, Arizona. Owners are developing this property as a residential planned community that is known as the Casa Kali Development. The attached Exhibit A is a land use plan of the Casa Kali Development that depicts the property's location.

We understand that Arizona Water Company is obligated to serve this property with water utilities. Accordingly, we hereby request Arizona Water Company to provide water services to Casa Kali Development property so that the Owners can finalize their development plans. Please contact me within the next five business days so we can discuss. It is imperative that we are notified of Arizona Water Company's inability to service the Casa Kali development so the Owners can make alternative arrangement as soon as possible. I look forward to hearing from you.

Sincerely,

A handwritten signature in black ink, appearing to read "Kenneth M. Frakes".

Kenneth M. Frakes

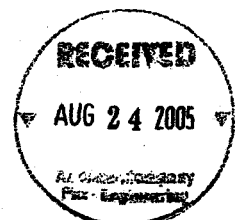
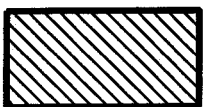
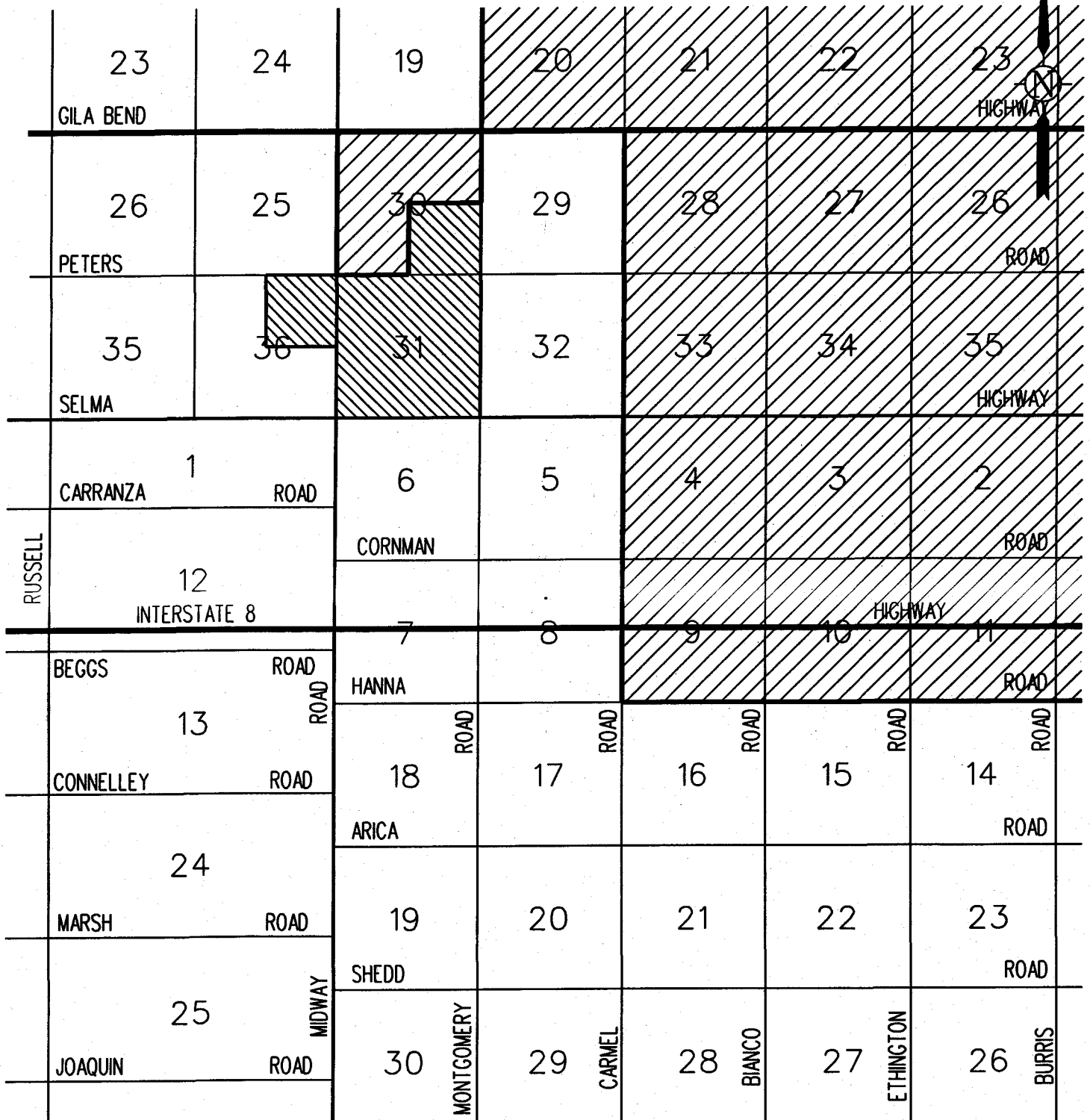
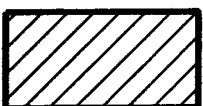


EXHIBIT 4



CC&N THIS APPLICATION



A PORTION OF ARIZONA WATER
COMPANY CC&N

ARIZONA WATER COMPANY

DESCRIPTION:

Application for CC&N to include portions of Section 36, 30, 31,
Township 6 South, Range 4 & 5 East of the Gila and Salt River
Base and Meridian, Pinal County, Arizona.

LOCATION:

CASA GRANDE

DATE:

06.09.2005

SCALE:

1" = 1 Mile

DRAWN BY:

CB

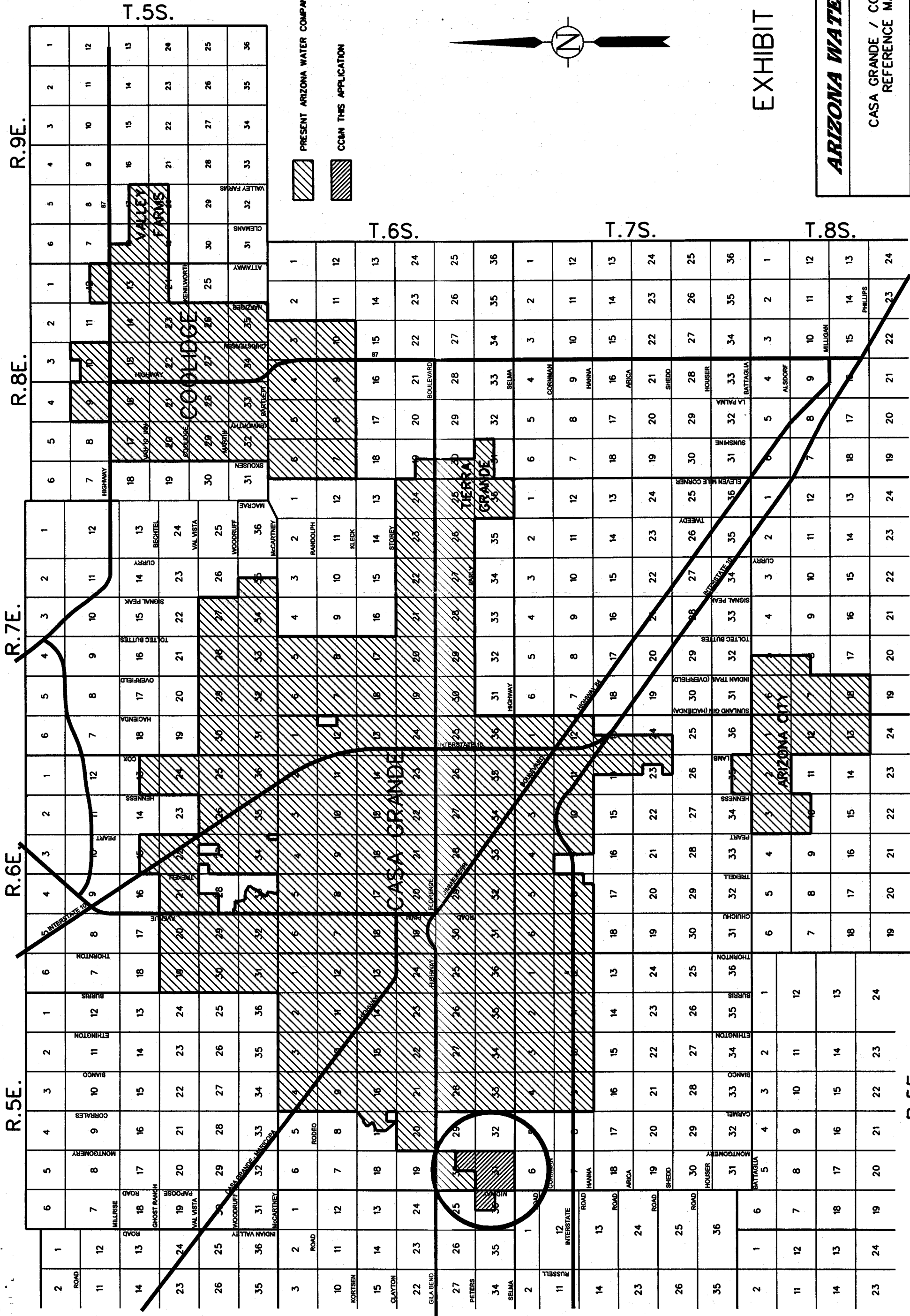


EXHIBIT 4

ARIZONA WATER COMPANY	
CASA GRANDE / COOLIDGE REFERENCE MAP	
DATE: 06.09.2005	SCALE: NONE

EXHIBIT 5

Property Owners List

503-26-024A
503-26-024d
503-26-025A
503-26-025d
MIDWAY CORNMAN, LLC
5673 CAMERON
LAS VEGAS, NV 89118

503-26-024C
503-26-025C
503-53-006
BCY LIMITED PARTNERSHIP
P.O. BOX 1074
HIGLEY, AZ 85236

503-01-050A
503-01-050d
JOHN J. & GINA MACAK
2300 S MIDWAY ROAD
CASA GRANDE, AZ 85222

503-01-050E
VICTOR M. & MARIA I. SOTO
1268 SOUTH REMINGTON CIRCLE
CHANDLER, AZ 85249

503-01-050F
503-01-050G
JESUS A. & ABBIE G. OCHOA
2560 SOUTH MIDWAY ROAD
CASA GRANDE, AZ 85222

503-01-058
503-01-059
503-01-060
503-01-061
PETERS & MIDWAY 150, LLC
6875 WEST GALVESTON
SUITE 200
CHANDLER, AZ 85226

EXHIBIT 6

ARIZONA WATER COMPANY

3805 N. BLACK CANYON HIGHWAY, PHOENIX, ARIZONA 85015-5351 • P.O. BOX 29006, PHOENIX, ARIZONA 85038-9006
PHONE: (602) 240-6860 • FAX: (602) 240-6878 • WWW.AZWATER.COM

[Date]

«PropertyOwner»

«Address1»

«Address2»

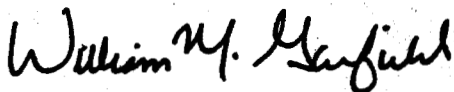
«City» «State» «PostalCode»

PINAL COUNTY ASSESSOR'S PARCEL NO.: «ParcelNumber»

**PUBLIC NOTICE OF AN APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND
NECESSITY BY ARIZONA WATER COMPANY**

Arizona Water Company has filed with the Arizona Corporation Commission ("Commission") an application for authority to provide water utility service to an area in which records indicate that you are a property owner. If the application is granted, Arizona Water Company would be the provider of water utility service to the proposed area. The Commission will require Arizona Water Company to provide this service under rates and charges and terms and conditions established by the Commission. The application is available for inspection during regular business hours at the offices of the Commission at 1200 West Washington Street, Phoenix, Arizona, and at Arizona Water Company, 220 East 2nd Street, Casa Grande, Arizona.

If you have questions or concerns about this application, have any objection to its approval, or wish to make a statement in support of it, you may contact the Consumer Services Section of the Arizona Corporation Commission at 1200 West Washington St., Phoenix, Arizona 85007 or call 1-800-222-7000.



WILLIAM M. GARFIELD
President

E-MAIL: mail@azwater.com

EXHIBIT 7

ARIZONA WATER COMPANY
Comparative Balance Sheet
at May 31, 2005

ASSETS

	May 31, 2005	May 31, 2004	Increase (Decrease)
UTILITY PLANT			
Gross Utility Plant	\$ 234,676,963	\$ 213,367,843	\$ 21,309,120
Less Accumulated Depreciation	58,540,167	53,816,941	4,723,226
Net Utility Plant	<u>176,136,796</u>	<u>159,550,902</u>	<u>16,585,894</u>
CURRENT ASSETS			
Cash on Hand and in Banks	751,070	807,963	(56,893)
Investments and Special Deposits	2,703	2,703	0
Accounts Receivable	2,714,472	2,797,833	(83,361)
Materials and Supplies	238,557	245,928	(7,371)
Other	592,705	580,906	31,799
Total Current Assets	<u>4,299,507</u>	<u>4,415,333</u>	<u>(115,826)</u>
DEFERRED DEBITS			
	6,480,459	5,823,597	656,862
TOTAL	<u>\$ 186,916,762</u>	<u>\$ 169,789,832</u>	<u>\$ 17,126,930</u>

LIABILITIES

CAPITALIZATION			
Common Stock	\$ 2,700,000	\$ 2,700,000	\$ 0
Capital Surplus	9,087,347	8,970,847	116,700
Retained Earnings	54,268,454	48,853,993	5,414,461
Common Stock Equity			
Long-Term Debt	66,055,801	60,524,840	5,531,161
Total Capitalization	<u>21,800,000</u>	<u>22,200,000</u>	<u>(400,000)</u>
CURRENT LIABILITIES			
Notes Payable	87,855,801	82,724,840	5,131,161
Accounts Payable	3,000,000	800,000	2,200,000
Accrued Expenses	2,680,772	2,330,134	350,638
Other	1,983,330	1,845,122	118,208
Total Current Liabilities	<u>630,915</u>	<u>509,278</u>	<u>121,637</u>
DEFERRED CREDITS			
Advances for Construction	8,275,017	5,484,534	2,790,483
Contributions in Aid of Construction	43,213,455	38,878,467	4,334,988
Deferred Income Tax	23,320,517	22,209,048	1,111,469
Other	17,743,430	15,212,940	2,530,490
Total Deferred Credits	<u>6,508,542</u>	<u>5,280,203</u>	<u>1,228,339</u>
TOTAL	<u>\$ 186,916,762</u>	<u>\$ 169,789,832</u>	<u>\$ 17,126,930</u>

MAY 2005

EXHIBIT 7

ARIZONA WATER COMPANY Comparative Statement of Income May 31, 2005

	12 MONTHS TO DATE		MAY		5 Months to Date	
	2005	2004	2005	2004	2005	2004
OPERATING REVENUE	\$ 40,593,992	\$ 38,330,273	\$ 3,503,847	\$ 3,449,110	\$ 14,893,785	\$ 14,326,682
OPERATING EXPENSES						
Operation and Maintenance	19,072,848	18,159,853	1,916,554	1,827,237	7,914,593	7,470,024
Depreciation	5,080,229	4,582,861	445,981	398,648	2,218,545	2,016,776
Taxes Other Than Income Taxes	5,747,795	5,498,247	513,679	501,108	2,291,430	2,218,501
Income Taxes	3,467,373	3,002,811	188,743	154,704	804,138	810,017
Total Operating Expenses	33,348,245	31,243,572	3,064,957	2,881,697	13,228,706	12,515,318
OPERATING INCOME	7,245,747	7,086,701	438,890	567,413	1,665,079	1,811,364
OTHER (INCOME) AND DEDUCTIONS						
Other (Income) - Net	(3,754,720)	(199,801)	(38,755)	988	(192,345)	(180,121)
Interest on Long-Term Debt	1,833,966	1,870,966	152,316	155,400	761,583	777,000
Other Interest and Amortization	(52,260)	(27,853)	2,779	(6,966)	2,716	(38,980)
Total Other (Income) and Deductions	(1,973,014)	1,643,712	118,340	148,402	571,954	577,899
NET INCOME	9,218,761	5,442,989	\$ 320,550	\$ 418,011	\$ 1,093,125	\$ 1,233,465
Regular Common Dividends	3,804,300	3,518,100				
INCOME RETAINED	\$ 5,414,461	\$ 1,924,889				
Active Services	74,688	70,981				

MAY 2005

EXHIBIT 8

COPY

1268-263

735293

FRANCHISE

BE IT RESOLVED by the Board of Supervisors, County of Pinal, State of Arizona:

THAT WHEREAS, Arizona Water Company, an Arizona corporation, has duly filed and presented its application that it be granted the right, privilege and franchise to construct, maintain and operate upon, over, along, across and under the present and future streets, avenues, alleys, highways, bridges, public roads and other public places in the County of Pinal, State of Arizona, water lines, plant and system, including mains, laterals, pumps, manholes, meters, regulator stations and related equipment, facilities and appurtenances, for the purpose of supplying water for all purposes in the County of Pinal, State of Arizona, for a period of twenty-five (25) years; and

WHEREAS, upon the filing of said application, the Board of Supervisors ordered that public notice of the intention of said Board to make such grant be given by publishing a notice in the Florence Reminder & Blade-Tribune newspaper of general circulation published in the City of Casa Grande, County of Pinal, State of Arizona, stating that at 10:00 o'clock A.M. on the 4th day of February, 1985, at the Courthouse in the City of Florence, County of Pinal, State of Arizona, was set for the time and place for the consideration of the granting of said right, privilege, and franchise; and

WHEREAS, said application coming on regularly for hearing on the 4th day of February, 1985, and it appearing by the affidavit of Florence Remington of said newspaper that due and legal notice of said time and place set for the consideration of such action has been published for at least once a week for three weeks prior to the date set for said hearing;

NOW, THEREFORE,

SECTION 1. There is hereby granted to Arizona Water Company, a corporation organized and existing under and by virtue of the laws of the State of Arizona, its successors and assigns (hereinafter called "Grantee"), the right, privilege and franchise to construct, maintain and operate upon, over, along, across and under the present and future streets, avenues, alleys, highways, bridges, public roads and other public places in the County of Pinal, State of Arizona, water lines, plant and system, including mains, laterals, pumps, manholes, meters, regulator stations and related equipment, facilities and appurtenances, for the purpose of supplying water for all

EXHIBIT 8

1268-264

purposes in the County of Pinal, State of Arizona. Grantee's Application for Franchise is made a part hereof by reference thereto.

SECTION 2. All facilities to be constructed pursuant to this franchise shall be constructed and maintained in accordance with established practices with respect to such streets, avenues, alleys, highways, bridges and public places of the County of Pinal. Prior to such construction, a map showing the location of such facilities shall be submitted to such persons as may be designated by said Board of Supervisors.

SECTION 3. In the event that any lines or related facilities installed or constructed pursuant to this franchise shall at any time be found to interfere unduly with vehicular and pedestrian traffic over such streets, avenues, alleys, highways, bridges, public roads and other public places the Grantee hereby agrees that it will, at its own expense, and within a reasonable time after notice thereof by said Board of Supervisors, remove or relocate said lines, or related facilities so as to minimize said interference. In all other instances the costs incurred in relocating any lines or facilities shall be borne by and added to the cost of the public or private improvement causing or resulting in such relocation.

SECTION 4. In the event that said Board of Supervisors, acting on behalf of the County of Pinal, takes action to dispose of unnecessary public roadways in accordance with the provisions of Arizona Revised Statutes §28-1901, et seq., said Board of Supervisors agrees to recognize and preserve each of the Grantee's prior rights of way or easements and rights under this franchise which are affected thereby, as they existed prior to such disposition, by including specific and appropriate language for that purpose in any legal instrument utilized for the purpose of accomplishing such disposition.

SECTION 5. In case of any disturbance of pavement, sidewalk, driveway or other surfacing, planting or ground cover resulting from Grantee's action pursuant to this franchise, Grantee shall, in a manner entirely satisfactory to said Board of Supervisors and the department having appropriate jurisdiction, replace and restore the paving, sidewalk, driveway, surfacing, planting or ground cover of any street, alley or other public way or place so disturbed in as good condition as it was prior to said disturbance. All such work shall be completed with due diligence.

Further, to avoid duplication of effort and untimely destruction of the street, the Grantee shall coordinate its construction and replacement

EXHIBIT 8

1268-265

plans pursuant to this franchise with said department having appropriate jurisdiction.

SECTION 6. The Grantee shall save the County of Pinal harmless from expenses, claims and liability arising by reason of the exercise of this franchise by Grantee.

SECTION 7. The right, privilege and franchise hereby granted shall continue and exist for a period of twenty-five (25) years from the effective date hereof, and upon approval by said Board of Supervisors and acceptance by the Grantee, this franchise shall be deemed effective as of the date of approval of this Application.

SECTION 8. The right, privilege and franchise hereby granted shall inure to the benefit of, and be binding upon the Grantee, its successors and assigns.

SECTION 9. All resolutions and parts of resolutions in conflict with the provisions hereof are hereby repealed to the extent applicable to a franchised public service corporation.

SECTION 10. If any section, paragraph, subdivision, clause, phrase or provision of this resolution shall be adjudged invalid or unconstitutional, the same shall not affect the validity of this resolution as a whole or any part of the provisions hereof other than the part so adjudged to be invalid and unconstitutional.

SECTION 11. Upon the expiration of this franchise, if the Grantee shall not have acquired an extension or renewal thereof and accepted the same, it may continue operating its facilities and system within the County of Pinal until a new franchise can be effected with the County of Pinal.

Upon motion by Supervisor Machleson,

seconded by Supervisor Veatchery,

the foregoing Resolution granting a Franchise to Arizona Water Company in the County of Pinal, State of Arizona, was duly passed and adopted by the Board of Supervisors, County of Pinal, State of Arizona, at a regular session of said Board held on the 4th day of February, 1985.

EXHIBIT 8



1268-266

PINAL COUNTY BOARD OF SUPERVISORS

By *[Signature]*
Chairman

ATTEST:

Charles A. Guerin
Clerk of Board of Supervisors